

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7612

Petition of Central Vermont Public Service Corporation)
for approval of its "Smart Power Plan", to implement)
Advanced Metering Infrastructure throughout its service)
territory)

Order entered: 9/1/2011

ORDER RE: UPDATED BUSINESS CASE

I. INTRODUCTION

On August 6, 2010, the Vermont Public Service Board ("Board") approved, with conditions and modifications, Central Vermont Public Service Corporation's ("CVPS" or "Company") plan for the implementation of Advanced Metering Infrastructure ("AMI") (the "AMI Plan") in its service territory. The supporting materials for the AMI Plan included a Business Case (together with the AMI Plan, the "CVPS SmartPower Plan" or "Plan"), and a Memorandum of Understanding ("Docket 7612 MOU"), which set forth the agreements reached between CVPS and the Vermont Department of Public Service ("Department") concerning the SmartPower Project.¹ Pursuant to the Board's August 6 Order, CVPS is under an obligation to regularly update its Plan and Business Case and also to do so when there are material changes to the project.

CVPS filed updates to its Business Case on December 23, 2010, and March 25, 2011. In this Order, we approve the March 2011 updates² to the Business Case as filed by CVPS and supported by the Department.

1. The "SmartPower Project" refers to the technology and services to be deployed by the Company pursuant to the Plan.

2. We do not approve the December 23, 2011, filing because it has been largely replaced by the March 25, 2011, filing.

II. BACKGROUND AND PROCEDURAL HISTORY

On April 7, 2010, CVPS filed its utility-specific AMI Implementation Plan including the supporting Business Case ("CVPS SmartPower Plan") and the Docket 7612 MOU, which sets forth the agreements between CVPS and the Department concerning the SmartPower Plan and incorporates by reference the terms and conditions of the MOU in Docket 7307 as approved and modified by the Board in its August 3, 2009, Order. On August 6, 2010, the Board approved, with conditions and modifications, the CVPS SmartPower Plan and the Docket 7612 MOU.

On December 23, 2010, CVPS filed an updated business case (the "December 2010 Updated Business Case"). This filing included: the Company's updated cost and net present value ("NPV") information within its Business Case Financial Analysis (Attachment A); its new estimated Benefits Calculations for benefits not included in its initial Business Case (Attachment D); its Retired Meter Plant Analysis (Attachment H); guidelines regarding the deferral of assets and liabilities; its Distribution Automation Plan (Attachment I); its business case comparison report; and a motion for confidential treatment of the Business Case Financial Analysis, Benefits Calculations, and the business case comparison report.³

CVPS's December 2010 filing also included a letter stating that the selection of an intermediate network vendor for the SmartPower Project was taking longer than originally anticipated. CVPS requested a 90-day extension of the implementation schedule to afford the Company the opportunity to explore the feasibility of leveraging a 4G LTE ("Long Term Evolution") wireless network⁴ being deployed by Vermont Telephone Company, Inc. ("VTel") to provide backhaul services for the Company's AMI system. CVPS also requested an opportunity to convene a workshop with Board staff and parties to seek guidance on network-associated issues. By letter dated January 3, 2011, the Department informed the Board that it supported the Company's request for enlargement and a workshop.

3. CVPS's December 23 filing also included an Updated Monitoring and Verification Plan that is still the subject of ongoing collaboration between CVPS and the Department, and is not the subject of this Order.

4. The CVPS AMI Plan approved by the Board contemplates the use of a private, utility-owned intermediate network solution.

On January 24, 2011, Board staff conducted a workshop to discuss issues related to the intermediate network for AMI implementation and the implications of the proposed 90-day extension on the SmartPower Project's implementation. At the workshop, CVPS explained that the implementation of the network would occur in two phases. During the first phase, CVPS would pursue a cellular/terrestrial backhaul network until the facilities to be provided by VTel and a Vermont-electric-utility-appropriate LTE network equipment are in place (the second phase). CVPS offered to file an updated business case to better explain the impact the two-phased backhaul approach would have on its AMI implementation schedule, budget, and service enhancements. Board staff also asked the Company to explain what efforts it is undertaking to stay within the time frame set forth in the Energy Vermont Smart Grid Investment Grant ("SGIG") being funded by the Department of Energy.

On March 3, 2011, the Board issued a memorandum summarizing the information considered at the Intermediate Network workshop and set March 24, 2011, as the due date for the submission of an updated business case.

On March 3, 2011, the Department filed comments on the December 2010 Updated Business Case, advising the Board that it had worked closely with CVPS on the development of CVPS's Retired Meter Plant Analysis and guidelines for deferral of regulatory assets and liabilities, and concurred with CVPS's approach to these two items.

On March 25, 2011, CVPS filed a further updated Business Case (the "March 2011 Updated Business Case") that included the Company's updated cost and NPV information within its Business Case Financial Analysis (Attachment A), which also included a change log and updated schedule, and its Updated Benefits Calculations (Attachment D). The March 2011 Updated Business Case was built on the December 2011 Updated Business Case and incorporated the distribution automation plan filed in December. The filing also included a motion for confidential treatment of the Business Case Financial Analysis and Updated Benefits Calculations.

On May 2, 2011, the Department filed comments on the Updated Business Case and recommended that it "be approved without hearings, workshops or investigation." However, the Department also identified six areas for CVPS to provide additional information or make

modifications and amendments to support its filing. On May 13, 2011, the Department filed a letter clarifying its comments and reiterating its support for the approval of the Updated Business Case, subject to further submission of information as requested in its May 2 comments.

On May 17, 2011, CVPS filed comments regarding the Department's May 13 letter, a business case comparison report detailing the changes between the December 2010 and March 2011 Updated Business Cases and filed a motion for confidential treatment of the report.

On May 18, 2011, the Department responded to CVPS's May 17 response.

Given the numerous filings and comments, on May 23, 2011, the Clerk of the Board sent a memorandum requesting that CVPS provide a detailed summary of its filings, in table form, and identify the items it seeks to be approved. In addition, the Hearing Officer requested that CVPS file a draft Proposal for Decision by June 3, 2011, and that the Department file comments by June 10, 2011.

On June 1, 2011, the Department filed a response to the Board's May 23 memorandum.

On June 6, 2011, CVPS filed a status update, a filing log regarding the review of the Company's pending SmartPower Plan submissions, and a draft proposal for decision ("PFD"). CVPS's filing also included a motion for a protective order.

On June 10, 2011, the Department filed comments on CVPS's June 6 filing and filed a revised draft PFD.

On June 17, 2011, the Department filed a further revised draft PFD and stated that CVPS and the Department were working on a revised filing log.

On July 6, 2011, CVPS filed a letter stating that the Department and the Company determined that the Board should approve the Company's March 2011 Updated Business Case, but that approval for specific guidelines regarding the deferral of assets and liabilities was not necessary at this time and that language expressly approving such guidelines could be removed from the PFD. The filing also contained an updated business case comparison report, a motion for confidential treatment of the report, and addressed CVPS's previous motions for protective orders.

On July 8, 2011, via e-mail, the Department filed a revised draft filing log. On July 14, 2011, CVPS filed a letter stating that the Company supported the updated form of the filing log.

III. CVPS's MOTIONS FOR PROTECTIVE ORDERS

On December 23, 2010, CVPS filed a motion for confidential treatment for portions of the Business Case Financial Analysis (Attachment A), Benefits Calculations (Attachment D), and its Business Case Comparison Report filed with its updated business case for its AMI Plan. On March 25, 2011, CVPS filed a motion for confidential treatment for portions of the Updated Business Case Financial Analysis (Attachment A) and Updated Benefits Calculations (Attachment D). On May 17, 2011, CVPS filed a motion for confidential treatment for portions of its Business Case Comparison Report. In its motions, CVPS requests that this information be placed under seal and kept confidential. However, following its motions, in a letter dated July 6, 2011, CVPS stated that it had agreed to collaborate with the Department regarding the confidential treatment of various information included in the filings in this Docket. CVPS requested that the Board issue:

some interim statement . . . indicating that it will continue to hold the Company's confidential information under seal and not release the same to third parties without first affording the Company an opportunity to request further review for its requests for protective orders . . . while the parties collaborate on the Department's proposal.

Given CVPS's request, we will refrain from ruling on the motions for confidential treatment of the subject information, and will continue to hold the information under seal. We require CVPS to file a modified motion within 60 days from the date of the Board's order. In the interim, the information shall be subject to the protections provided in the previously approved Protective Agreement.⁵ If a modified motion is not filed by that deadline, the subject information will be removed from seal. In addition, if any person requests access to the subject information in the interim, the Board will provide CVPS an opportunity to seek a ruling on confidentiality, as provided in the previously approved Protective Agreement.⁶

5. *Procedural Order re Protective Agreement*, Docket 7612, Order of 5/24/10.

6. *Procedural Order re Protective Agreement*, Docket 7612, Order of 5/24/10.

IV. DISCUSSION

Pursuant to the Board's August 6, 2010, Order in Docket 7612, CVPS is under an obligation to regularly update its Plan and Business Case and also to do so when there are material changes to the project. CVPS filed Business Case updates on December 23, 2010, and March 25, 2011. After filing the March 2011 update, CVPS indicated that it no longer sought approval for the December 2010 Business Case or the guidelines regarding the deferral of assets and liabilities.⁷ Therefore, this Order does not address the December 2010 Business Case or specific guidelines for the deferral of assets and liabilities. In addition, although CVPS submitted a Distribution Automation Plan with its December 2010 filing it later incorporated the relevant costs into the March 2011 Updated Business Case and did not request an amendment to its approved AMI Plan. Thus, the Distribution Automation Plan will not be addressed as an amendment to CVPS's approved AMI Plan in this Order, although we have considered CVPS's projections for its cost as part of the Business Case.

CVPS, however, maintains that the Retired Meter Plant Analysis, submitted with the December 2010 update, should be found to satisfy the Board's August 6, 2010, Order, which required that: "In the course of [the cost benefit] analysis, CVPS should also consider the impact of the cost of meters that will be recovered from ratepayers due to the meters' early retirement."⁸ The Retired Meter Analysis indicates that the undepreciated plant, to be retired early, totals approximately \$8,000,000, and that, on a present-value basis, this results in approximately \$500,000 of costs to be recovered from ratepayers. CVPS opted to present the impact as a stand-alone item and, therefore, the \$500,000 cost to be recovered from ratepayers is not reflected in the overall NPV calculated in either the December 2010 or March 2011 Updated Business Case. We find that CVPS's Retired Meter Analysis satisfies our August 6 Order and

7. Letter and Attachments of July 6, 2011, from Morris Silver, Esq., on behalf of CVPS, to Susan Hudson, Clerk of the Board. The revised draft filing log of July 8, 2011, submitted by the Department, and supported by CVPS, indicated that the Company sought approval of the December 2010 Updated Business Case. However, considering that the various submissions made by CVPS and the Department appear to be inconsistent, we are relying on the more detailed filing log submitted on July 6 by CVPS to determine the scope of our review.

8. Docket 7612, Order of 8/6/10 at 18. See Letter and Attachments of July 6, 2011, from Morris Silver, Esq., on behalf of CVPS, to Susan Hudson, Clerk of the Board.

acknowledge that the impact of the early retirement meters, in essence, reduces the NPV of the SmartPower Project by \$500,000.

CVPS also requests that the Board approve the March 2011 Updated Business Case as a "material change" in accordance with the Change Control Process described in Section 10B of its AMI Plan, as modified in the Board's August 6 Order.⁹ In CVPS's March 2011 filing, it explained that utilizing the VTel intermediate-network solution, which necessitates a two-phased approach, would allow the Company to deploy its proposed AMI system within the timeframe required under its SGIG agreement while furthering the advancement of Vermont's broadband goals.¹⁰ CVPS further explained that in order to incorporate the two-phase backhaul solution and still comply with the SGIG schedule, it would delay its first AMI meter install to October 2011, but would also compress the implementation phase from eighteen to thirteen months. CVPS noted that it will build additional time into the schedule, beyond the thirteen-month installation phase, as a contingency to address unexpected deployment issues. CVPS also acknowledged that until the VTel network is up and running and Vermont-electric-utility-appropriate LTE network equipment is available, some benefits contemplated under the CVPS SmartPower Plan would be delayed, as is reflected in the March 2011 Updated Business Case.

Although CVPS submitted information regarding the utilization of a two-phased backhaul network with its March 2011 filing and incorporated the relevant costs into its March 2011 Updated Business Case, CVPS did not specifically request an amendment to its approved AMI Plan. Therefore, the issue before us at present regarding the two-phased backhaul network relates only to the reasonableness of its inclusion in the Business Case. Thus, the two-phase backhaul network approach will not be addressed as an amendment to CVPS's approved AMI Plan in this Order and, consistent with our discussion above, we have examined the projected costs of the solution as part of the Business Case analysis, below.

9. Letter of March 25, 2011, from Morris Silver, Esq., on behalf of CVPS, to Susan Hudson, Clerk of the Board.

10. The CVPS SmartPower Plan is partially funded by the Department of Energy ("DOE") through the SGIG awarded under the American Recovery and Reinvestment Act ("ARRA") and under the SGIG, CVPS must complete its project by April 2013.

The March 2011 Updated Business Case projected an expected NPV of approximately \$7.0 million compared to the initial NPV of approximately \$1.4 million, estimated in the Business Case approved by the Board in its August 6 Order, based on a variety of updated cost¹¹ and benefit estimates including updates regarding the:

- Two-phase backhaul solution costs and benefits;
- Grid automation costs and benefits;
- Vendor costs and associated contingency adjustments; and
- Staffing costs and needs.

Thus, even after factoring in the inclusion of the costs associated with: retiring undepreciated meters early; deploying grid automation technology; implementing a two-phase intermediate network solution; and delaying benefits as a result of utilizing a two-phased approach, the March 2011 Updated Business Case still projects an expected NPV more than \$5 million higher than the original Business Case. Therefore, we approve the March 2011 updates as filed by CVPS and supported by the Department.

We recognize that there are uncertainties inherent in the VTel solution and in the execution of the AMI Plan as a whole. CVPS has stated that its decision to utilize a two-phased backhaul network approach involves "significant risks" associated with the technological advances needed for deployment.¹² However, CVPS has also represented that the costs of the VTel solution are expected to be similar to those CVPS would incur to install a propriety network for communications with its smart meters. Moreover, as the Company has acknowledged, CVPS has a continuing obligation to file updates to its Business Case and Plan to reflect material changes as they occur, and, as stated in the Board's August 6 Order, all incremental costs must be prudently incurred to meet the standards used for cost recovery assurance.

11. CVPS's updates reflect vendor pricing information and the current status of the Company's grid automation and web presentment implementation efforts as of its March 2011 filing. While CVPS had yet to sign an agreement with its AMI vendor at the time the March 2011 Updated Business Case was filed, the Company reported that it believed that its discussions with vendors were sufficiently advanced so as to be taken into account.

12. Letter of March 25, 2011, from Morris Silver, Esq., on behalf of CVPS, to Susan Hudson, Clerk of the Board.

In addition, as stated in the Board's August 6 Order, the CVPS SmartPower Plan is designed to be implemented as part of the eEnergy Vermont Project and is being developed to promote interoperability among the Vermont distribution utilities, Vermont Electric Power Company, Inc. and Vermont Transco LLC (collectively, "VELCO"), and Efficiency Vermont ("EVT"). We recognize CVPS's efforts to collaborate with stakeholders and we encourage CVPS to continue these efforts. We also note that CVPS's March 2011 Updated Business Case was filed before the recently announced proposed merger between CVPS and Green Mountain Power Corporation ("GMP"). At this time, we do not know how, or whether, CVPS's approved AMI Plan would be altered if the Board ultimately approves the merger. Moreover, we want to ensure that CVPS and GMP are considering revisions to their AMI Plans that would, if the merger is approved, lead to further efficiencies. Therefore, we remind CVPS and GMP that we expect them each to fulfill their responsibility to take all appropriate steps with respect to their AMI Plans to ensure compatibility of systems, and to capture any available efficiencies, should the merger be consummated.

V. CONCLUSION

We find that the CVPS Business Case, as updated, is reasonable.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Central Vermont Public Service Corporation's ("CVPS") March 2011 Updated Business Case is approved.
2. This Order does not constitute a finding of prudence with respect to any individual cost set forth in the CVPS SmartPower Plan. However, compliance with the SmartPower Plan and related Public Service Board Orders shall entitle CVPS to the cost recovery protections, assurances, and treatment set forth in the SmartPower Plan, the Docket 7612 Memorandum of Understanding, and the Docket 7307 Memorandum of Understanding, as modified and approved.

3. CVPS shall file its updated business case by August 1st of each year so the Department of Public Service has sufficient time to review business case financial changes in conjunction with the review of any pending base rate filings.

Dated at Montpelier, Vermont, this 1st day of September, 2011.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: September 1, 2011

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.